BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

)

)

)

)

))

IN THE MATTER OF IDAHO POWER'S APPLICATION FOR AUTHORITY TO IMPLEMENT FIXED COST ADJUSTMENT **RATES FOR ELECTRIC SERVICE FROM** JUNE 1, 2024, THROUGH MAY 31, 2025

CASE NO. IPC-E-24-10

ORDER NO. 36194

On March 15, 2024, Idaho Power Company ("Company") applied to implement new Fixed Cost Adjustment ("FCA") rates for electric service from June 1, 2024, through May 31, 2025, and a corresponding revised tariff Schedule 54 ("Application"). The Company also submitted direct testimony of Grant T. Anderson in support of its Application ("Company Testimony"). The bill of a typical residential customer using 950 kilowatt-hours ("kWh") per month will increase by \$1.69, if approved. The Company requested its Application be processed through modified procedure with an effective date of June 1, 2024.

On April 12, 2024, the Commission issued a Notice of Application and established public comment and Company reply deadlines. Order No. 36134. Staff and one member of the public filed the only comments in this case.

The Commission now issues this Order approving the Application as filed.

BACKGROUND

The FCA is a rate adjustment mechanism designed to break the link between the energy a utility sells and the revenue it collects to recover fixed costs¹ of providing service, thus decoupling the utility's revenues from its customers' energy usage. This decoupling removes a utility's incentive to increase sales to increase revenue and profits and encourages energy conservation. It only applies to Residential and Small General Service ("R&SGS") customers.

THE APPLICATION

The Company requested recovery of the 2023 FCA balance and approval of proposed rates. The Company proposed a Residential class FCA of \$35,484,196.77 and \$1,297,614.62 for the Small General Service class. Taken together, the FCA would represent a \$36,781,811.39 increase in the R&SGS classes' rates. The Company stated the proposed FCA deferral balance exceeds the current FCA deferral balance collected in R&SGS customers' rates.

¹ "Fixed costs" are a utility's costs to provide service, such as infrastructure and customer service, which do not vary with energy use, output, or production, and remain relatively stable between rate cases. **ORDER NO. 36194** 1

The Company requested to increase the FCA rate for Residential customers to 0.6182 cents per kWh and increase the FCA rate for Small General Service customers to 0.7638 cents per kWh. If approved, the proposed FCA rates would increase current billed revenue from the affected customer classes by \$10,575,831, or 1.44 percent, based on forecasted energy sales between June 1, 2024, and May 31, 2025.

COMMENTS

a. Staff's Comments

Staff reviewed the Company's Application and supporting testimony. Staff audited the components used to calculate the FCA balance and believed it complied with past Commission Orders. Staff verified the fixed cost per customer rate ("FCC"), the fixed cost per energy rate, the annual sales for the two affected classes, the new and existing customer counts, and all the inputs used to calculate the FCA balance. Based on its review, Staff recommended the Commission approve the Company's proposed Schedule 54 as filed and allow recovery of the requested FCA deferral balance.

1. Calculation of the 2023-2024 FCA Rate

Staff noted that the Company was proposing rates based on a \$36,781,811 deferral balance. This amount is \$11,716,736² more than the 2023 FCA deferral balance. Staff verified the Company's FCA calculations for the R&SGS classes. Staff stated:

The Residential Service FCA rate will change from the present rate of 0.4402 cents per kWh to 0.6182 cents per kWh—an increase of 0.178 cents per kWh for residential customers. For the Small General Service class, the FCA rate will change from the present surcharge rate of 0.5541 cents per kWh to a rate of 0.7638 cents per kWh—an increase of 0.1827 cents...

Using forecasted sales for June 1, 2024, through May 31, 2025, Staff agrees that surcharges of 0.6182 cents per kWh for the Residential class and 0.7638 cents per kWh for the Small General Service class, or a 1.44% total increase, will provide a sufficient opportunity for the Company to recover the 2023 FCA deferral balance.

Staff Comments at 3.

² Staff's Comments stated that the FCA is \$11,716,736 more than last year's FCA. However, the Company's Application stated that it was asking to increase FCA rates by \$10,575,831 because they are forecasting the balance to increase slightly less than the year before. In his direct testimony, Grant Anderson explained: "Because the 2023 FCA deferral balance is more than the 2022 FCA deferral balance and annual sales for June 2024 through May 31, 2025, are forecast to be slightly lower than the same period in the prior year, the 2024–2025 FCA rates represent an annual increase of \$10,575,831 or 1.44 percent, from current billed revenue for the affected customer classes." Company Testimony at 18.

2. Modifications to the FCA

Staff noted in Order No. 35273 the Commission authorized the Company to modify the FCA mechanism and institute separate, and reduced, fixed cost tracking for R&SGS customers added to the Company's system after January 1, 2022. Staff noted this is the second FCA filing to incorporate this modification and explained "the authorized level of fixed cost recovery for new customers excludes generation and transmission-related fixed costs but continues to include distribution and other customer-related fixed costs." *Id.* at 4. This change allows the Company to reduce its FCC for new customers, by allowing the Company to avoid additional costs for new generation and transmission for new individual R&SGS customers.

3. Customer Notice and Press Release

Staff reviewed the press release and customer notice included with the Company's Application and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. *See* IDAPA 31.01.01.125. However, due to the timing of the notice of the proposed changes being distributed to customers, Staff recommended the Commission accept late filed comments.

4. Staff Recommendation

In sum, Staff recommended the Commission: (1) approve the Company's FCA filing with a net deferral balance of \$36,781,811.39 for June 1, 2024, through May 31, 2025, and the Company's proposed Schedule 54 as filed, with the updated surcharge rates for R&SGS customers effective June 1, 2024.

b. Public Comment

One public comment was received in which the commenter expressed dissatisfaction at her inability, as a renter, to select a heat source that conformed with her personal beliefs.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503.

The Commission has reviewed the record, including the Application, Company testimony, and the comments received in this case. Based on our review, we find it reasonable to approve the Application as filed because it complies with the Commission-approved method for calculating the FCA.

Accordingly, the Commission approves the Company's proposed FCA totaling \$36,781,811.39 for the R&SGS classes. The Commission also approves the Company's proposed FCA surcharge rate increases of 0.6182 cents per kWh and 0.7638 cents per kWh for the R&SGS classes respectively. The Commission finds the Company correctly calculated its deferral balances.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved as filed. The Company's net deferral balance for June 1, 2024, through May 31, 2025, shall total \$36,781,811.39.

IT IS FURTHER ORDERED the Company's proposed Schedule 54 is approved as filed.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of May 2024.

ERIC ANDERSON, PRESIDENT

WHN R. HAMMOND JR., COMMISSIONER

EDWARD LODĞE, ØOMMISSIONER

ATTEST:

Monica Barrios

Commission Secretary I:\Legal\ELECTRIC\IPC-E-24-10_FCA\orders\IPCE2410_Final_md.docx

ORDER NO. 36194